

## **Interview with Mr. Guillermo Tolosa, IMF Resident Representative in Armenia**

### ***1. Do you consider it realistic that there would be the second wave of world crisis, and if it comes – what would be the impact for Armenia?***

We don't think there will be a double dip in the global economy. That said, the current shocks to the global economy have made us recently reduce our growth forecasts for many advanced and emerging countries (including Russia). Also, it is evident that downside risks have increased considerably.

We still expect that the effect of this moderation of global growth in Armenia will be mild. On the back of strong macroeconomic policies, we continue to see Armenia's economy to grow above 4 percent this year, in line with our expectations earlier in the year. However, it is also true for Armenia that there are considerably higher downside risks than six months ago.

### ***2. How IMF assesses 2012 Budget of Armenia? Doesn't it contain certain risks?***

We have a very positive view of the 2012 Budget. The budget reflects the important steps that are being done to address the chronically low tax collection of Armenia. It does so by increasing some tax payments that are too low (especially in "sin taxes" and luxury cars), by addressing loopholes in tax legislation, and by improving tax administration. We do not see risks to envisaged higher tax collections to be particularly large given there is significant room to increase collections from different activities which are underpaying taxes.

This strong tax package will give the government room to increase spending in key priority items, like social spending, while at the same time continue to reduce the considerable fiscal deficit to ensure the sustainability of public debt.

### ***3. What is your assessment of the Armenian current tax and credit policies?***

There has been considerable progress on tax issues in Armenia in recent times. We think that there is considerable room to make further progress, and we understand there is a determination from the government to continue in this direction.

We think that the government borrowing policy has been prudent so far, with moderate borrowing and on favorable terms. It is extremely important that remains so going forward. In an increasingly uncertain external environment, Armenia should preserve its borrowing pace. Private sector borrowing has also been prudent in Armenia, with very moderate leverage in both households and corporate. However, the recent sharp increase in borrowing warrants close monitoring from the part of the authorities. In particular, in those cases in which borrowing has been undertaken in foreign currency which can become difficult to serve if international conditions deteriorate further.